



12013690

UNITED STATES
TIES AND EXCHANGE COMMISSION
Washington, D.C. 20549OMB Number: 3235-0123
Expires: April 30, 2013
Estimated average burden
hours per response . . . 12.00

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
APR 04 2012
REGISTRATIONS BRANCH
11

ANNUAL AUDITED REPORT
FORM X-17A-5
PART IIISEC FILE NUMBER
8-68015

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/11 AND ENDING 12/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:
Virtu Financial BD LLC

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

645 Madison Avenue

(No. and Street)

New York

(City)

NY

(State)

10022

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Chris Concannon

(212) 418-0116

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

Two World Financial Center

(Address)

New York

(City)

NY

(State)

10281-1414

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
Information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

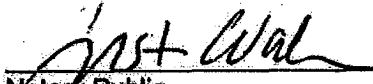
AFFIRMATION

I, Christopher Concannon, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Virtu Financial BD LLC (the "Company"), for the year ended December 31, 2011, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.


Christopher Concannon
Chief Compliance Officer

April 2, 2012
Date

Subscribed and sworn to before me
this 2nd day of April 2012


Notary Public

JUSTIN J. WALDIE
NOTARY PUBLIC-STATE OF NEW YORK
No. 02WA6248316
Qualified in New York County
My Commission Expires September 19, 2016

SEC
Mail Processing
Section

APR 04 2012
VIRTU FINANCIAL BD LLC

(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)
Washington DC
(SEC I.D. NO 3-68015)

STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2011
AND
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTAL REPORT ON
INTERNAL CONTROL

Filed pursuant to Rule 17a-5(e)(3) under the
Securities Exchange Act of 1934
as a Public Document

INDEPENDENT AUDITORS' REPORT

To the Members of
Virtu Financial BD LLC

We have audited the accompanying statement of financial condition of Virtu Financial BD LLC (the "Company") as of December 31, 2011, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of Virtu Financial BD LLC at December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.



April 2, 2012

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Statement of Financial Condition
December 31, 2011

Assets

Cash and cash equivalents	\$ 7,281,440
Receivables from broker dealers and clearing organizations	238,367,885
Interest and dividends receivable	1,285,724
Securities borrowed	559,286,840
Securities owned, at fair value	120,146,708
Securities owned and pledged as collateral, at fair value	801,942,855
Forward contracts, at fair value	14,190
Deposits with clearing organizations	35,998,348
Equipment (net of accumulated depreciation of \$617,957)	748,376
Other assets (\$426,423, at fair value)	5,052,760
Total Assets	<u>\$ 1,770,125,126</u>

Liabilities and Member's Equity

Liabilities:

Payables to broker dealers and clearing organizations	\$ 184,766,114
Accounts payable and accrued expenses	19,538,337
Interest and dividends payable	1,205,324
Securities loaned	740,684,500
Securities sold, not yet purchased, at fair value	678,611,091
Bank day loan	26,000,000
Due to affiliates	15,358,641
Total liabilities	<u>\$ 1,666,164,007</u>

Member's Equity	103,961,119
-----------------	-------------

Liabilities and Member's Equity	<u>\$ 1,770,125,126</u>
--	--------------------------------

See accompanying notes to statement of financial condition.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

(1) Nature of Business

Virtu Financial BD LLC (the "Company") is a Delaware limited liability company formed on May 2, 2008. The sole member is Virtu Financial Operating LLC (the "Parent"), a Delaware limited liability company. The Company is registered as a broker-dealer with the Securities and Exchange Commission, the Chicago Stock Exchange and various other U.S. exchanges. The Company does not carry customer accounts nor act on behalf of any customers, but rather is a proprietary trading and market maker on United States and foreign exchanges. The Company maintains hedged positions in listed equities, futures on equity indices, equity futures, and commodity futures contracts. The Company is a self-clearing broker-dealer for U.S. equities and maintains clearing memberships with the Depository Trust Company, the National Securities Clearing Corporation and the Options Clearing Corporation. Trades in currency and commodity futures contracts are executed through a Futures Commission Merchant.

(2) Significant Accounting Policies

(a) Basis of Presentation

The accompanying statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

(c) Cash and Cash Equivalents

The Company considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits.

(d) Securities Borrowing and Lending

The Company conducts securities borrowing and lending activities with external counterparties. In connection with these transactions, the Company receives or posts collateral in connection with securities loaned or borrowed transactions. These transactions are collateralized by cash or securities. In accordance with substantially all its stock borrow agreements, the Company is permitted to sell or repledge the securities received. Securities borrowed or loaned are recorded based on the amount of cash collateral advanced or received. The initial collateral advanced or received generally approximates or is greater than 102% of the fair value of the underlying securities borrowed or loaned. The Company monitors the market value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Interest on such transactions is recorded gross on an accrual basis.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

(e) *Deposits with Clearing Organization*

Deposits with clearing organizations may consist of deposits of cash or other short-term securities held by other clearing organizations or exchanges.

(f) *Receivable from and Payable to Broker Dealers and Clearing Organizations*

Amounts receivable from broker may be restricted to the extent that they serve as deposits for securities sold, not yet purchased. At December 31, 2011, receivable from broker-dealers and clearing organizations primarily represent amounts due for unsettled trades, futures, open equity in futures transaction and cash held by broker-dealers.

In the normal course of business, substantially all of the Company's securities transactions, money balances, and security positions are transacted with several brokers. The Company is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Company's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

As of December 31, 2011, payable to broker-dealers and clearing organizations primarily represent amounts due for unsettled trades, futures contracts, open equity in futures transactions and cash payable to broker-dealers in relation to the Company's proprietary trading.

(g) *Securities Owned and Securities Sold, Not Yet Purchased*

The Company is required to report the fair value of financial instruments. Fair value is an exit price, representing the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. The recognition of "block discounts" for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market is prohibited. The Company carries Securities owned and Securities sold, not yet purchased at fair value. Fair value for equity securities and exchange traded notes ("ETNs") that are actively traded and are listed on a national securities exchange or reported on the NASDAQ or other national market is determined at their last sales price as of the last business day of the period as determined by nationally published quotation services.

(h) *Forward Contracts*

Forward contracts include forward swaps with related parties to hedge economic gain or loss. Swap contracts are governed by International Swaps and Derivatives Association agreements ("ISDA"), which provide the right to offset and settle during the life of the contracts. The Company has satisfied the following rules which allows the Company to offset: (i) each of two parties owes the other determinable amounts, (ii) the reporting party has the right to set off the amount owed with the amount owed by the other party, (iii) the reporting party intends to set off and (iv) the right of setoff is enforceable at law. The Company regularly settles any payables or receivables associated with these contracts. Forward contracts are priced based on the values of the underlying financial instruments within the contract. The underlying financial instruments are currencies and commodities which are actively traded on exchanges.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

(i) Exchange Memberships and Stock

Exchange memberships are recorded at cost or, if an other-than-temporary impairment in value has occurred, at a value that reflects management's estimate, in accordance with Accounting Standards Codification ("ASC") 940-340, Financial Services—Broker and Dealers. Management believes that no impairment occurred in the value of exchange membership seats and related assets during the year ended December 31, 2011. The Company's exchange memberships at December 31, 2011 are valued \$84,000 and are included in Other assets on the statement of financial condition.

Exchange stock includes shares of CME Group stock that the Company is required to hold in order to maintain certain trading privileges. The shares are marked to market with the corresponding gain or loss recorded in the Statement of Operations. The Company's exchange stock at December 31, 2011 is valued \$426,423 after an unrealized loss of \$25,935 for the year ended December 31, 2011 and are included in Other assets on the Statement of Financial Condition.

(j) Equipment

Equipment is stated at cost less accumulated depreciation. Depreciation of assets is primarily provided for using the straight-line method over the estimated useful lives of the assets. During the year, the Company changed its estimated useful life of equipment from five years to three years.

(k) Income Taxes

The Company is a limited liability company and is treated as a disregarded entity for United States (U.S.) federal income tax purposes. Accordingly, no provision for federal or state income taxes is required. The Company's is a single member LLC and is included in the consolidated income tax return of Virtu Financial LLC.

The Company accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes*. The Company is required to determine whether a tax provision is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely realized upon ultimate settlement. Based on its analysis, the Company has determined that there are no uncertain tax positions that would have a material impact on the Company's financial position or the results of operations for the year ended December 31, 2011.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

(l) *Recent Accounting Pronouncements*

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"), to substantially converge the guidance in U.S. GAAP and IFRS on fair value measurements and disclosures. The amended guidance changes several aspects of the fair value measurement guidance in ASC 820, Fair Value Measurement, including the following provisions:

- Application of the highest and best use and valuation premise concepts
- Introduction of an option to measure groups of offsetting assets and liabilities on a net basis
- Incorporation of certain premiums and discounts in fair value measurements
- Measurement of the fair value of certain instruments classified in shareholders' equity

In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. Some of the new disclosures are not required for nonpublic entities. The amendments in ASU No. 2011-04 are effective for interim and annual periods beginning after December 15, 2011 (that is, fiscal year ending December 31, 2012). The Company is in the process of evaluating the disclosure requirements and any impact the new disclosures will have on its statement of financial condition.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities, which requires entities to disclose information about financial instruments and derivative instruments that have been offset or that are subject to enforceable master netting arrangements, to enable users of its financial statements to understand the effect of those arrangements on its financial position. Entities will be required to provide both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset or subject to the arrangements. The amendments in ASU No. 2011-11 are effective for interim and annual periods beginning on or after January 1, 2013 (that is, fiscal year ending December 31, 2013) and an entity should provide the disclosures required by the amendments retrospectively for all comparative periods presented. The Company is in the process of evaluating the disclosure requirements and any impact the new disclosures will have on its statement of financial condition.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

(3) Fair Value Measurements

The Company's assets and liabilities are recorded at fair value and have been categorized based upon a fair value hierarchy in accordance with ASC 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10). ASC 820-10 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. ASC 820-10 requires a three level hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each financial instruments is based on the assessment of the transparency and reliability of the inputs used in the valuation of such financial instruments at the measurement date based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Transfers in or out are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between Level 1 and Level 2 during the year ended December 31, 2011.

Financial Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table summarizes all financial instruments at fair value, within the fair value hierarchy levels as of December 31, 2011:

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

	Assets at fair value, December 31, 2011					Total
	Level 1	Level 2	Level 3	Counterparty netting		
Securities owned						
Equity securities	\$ 116,732,357					\$ 116,732,357
Exchange Traded Notes	3,414,351					3,414,351
	<u>\$ 120,146,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,146,708</u>
Securities owned and pledged as collateral						
Equity securities	\$ 773,462,898					\$ 773,462,898
Exchange Traded Notes	28,479,957					28,479,957
	<u>\$ 801,942,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,942,855</u>
Forward contracts		\$ 1,159,758		\$ (1,145,568)		\$ 14,190
	<u>\$ -</u>	<u>\$ 1,159,758</u>	<u>\$ -</u>	<u>\$ (1,145,568)</u>	<u>\$ -</u>	<u>\$ 14,190</u>
Other Assets						
Exchange stock	\$ 426,423					\$ 426,423
	<u>\$ 426,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,423</u>

Liabilities at fair value, December 31, 2011						
Securities sold, not yet purchased						
Equity securities	\$ 662,497,705					\$ 662,497,705
Exchange Traded Notes	16,113,386					16,113,386
	<u>\$ 678,611,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678,611,091</u>
Forward contracts		\$ 1,145,568		\$ (1,145,568)		-
	<u>\$ -</u>	<u>\$ 1,145,568</u>	<u>\$ -</u>	<u>\$ (1,145,568)</u>	<u>\$ -</u>	<u>-</u>

At December 31, 2011, substantially all of the Company's assets and liabilities, including financial instruments, were carried at fair value based on published market prices and are marked to market daily or were assets which are short-term in nature and were carried at amounts that approximate fair value.

(4) Derivative Instruments

Derivative financial instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures are based on quoted market prices. Fair values for over-the-counter derivative financial instruments, principally forward contracts are based on the values of the underlying financial instruments within the contract. The underlying financial instruments are currencies and commodities which are actively traded on exchanges.

Derivatives used for economic hedging purposes include futures and forward contracts. Unrealized gains or losses on these derivative contracts are recognized currently in the Statement of Operations as Trading revenues. The Company does not apply hedge accounting as defined in FASB ASC 815, *Derivatives and Hedging*, as all financial instruments are recorded at fair value with changes in fair values reflected in earnings. Therefore, certain of the disclosures required under FASB ASC 815 are generally not applicable with respect to these financial instruments.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

In connection with its derivative activities, the Company may enter into master netting agreements and collateral arrangements with counterparties. These agreements provide the Company with the ability to offset counterparty's rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default.

The following tables summarize the fair value of derivative instruments not designated as accounting hedges by type of derivative contract on a gross basis as of December 31, 2011. The Company does not have derivative instruments designated as accounting hedges.

Asset Derivatives	Balance Sheet Classification	Fair Value
Equities Futures	Receivable from broker-dealers and clearing organization	\$ 1,832,982
Commodity Futures	Receivable from broker-dealers and clearing organization	172,223
Forward Contracts	Forward contracts, at fair value	14,190

At December 31, 2011 the notional values and market values of the forward contracts are:

	Long Contract Value	Long Fair Value	Short Contract Value	Short Fair Value
Currency	\$ 46,970,151	\$ (1,156,128)	\$ 48,183,966	\$ 1,159,758
Commodity	6,512,220	10,560	-	-
	<u>\$ 53,482,371</u>	<u>\$ (1,145,568)</u>	<u>\$ 48,183,966</u>	<u>\$ 1,159,758</u>

(5) Receivable from and Payable to Broker Dealers and Clearing Organizations

Amounts receivable from and payable to brokers, dealers and clearing organizations at December 31, 2011, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Unsettled trades	\$ 143,854,015	\$ 178,323,030
Net equity with FCM and brokerage accounts	32,109,000	601,064
Securities failed to deliver/receive	62,404,870	5,842,020
	<u>\$ 238,367,885</u>	<u>\$ 184,766,114</u>

(6) Collateral

The Company enters into securities borrowing and lending transactions and agreements to obtain securities for settlement and to earn residual interest rate spreads. Under these transactions, the Company either receives or provides collateral, including U.S. equity shares. Under many agreements, the Company is permitted to sell or repledge securities received as collateral and use these securities to enter into securities lending transactions or deliver these securities to counterparties to cover short positions. Amounts relating to collateralized transactions at December 31, 2011 are summarized as follows:

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

Fair value of securities received as collateral	\$539,804,341
Fair value of securities owned and pledged	801,942,855

All securities borrowed are used to cover short positions except for \$3,549,485 which was repledged as collateral for the bank day loan.

(7) Financial Instruments with Off Balance Sheet Risk and Concentration of Risk

The Company maintains US checking accounts with balances frequently in excess of \$250,000. The Federal Deposit Insurance Corporation insures checking accounts up to \$250,000. The Federal Deposit Insurance Corporation from December 31, 2010, through December 31, 2012, insures all funds in a US noninterest-bearing transaction account in full. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Credit Risk

Credit risk represents the maximum potential loss that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company. The Company regularly transacts business with major U.S. and foreign financial institutions. The Company manages credit risk by limiting the total amount of arrangements outstanding, both by individual counterparty and in the aggregate, by monitoring the size and maturity structure of its portfolio and by applying uniform credit standards for all activities associated with credit risk. The Company is of the opinion that credit risk related to derivative contracts as of December 31, 2011, will not have a significant adverse effect on the financial condition of the Company. The Company is subject to credit risk to the extent that the brokers may be unable to fulfill their obligations either to return the Company's securities or repay amounts owed. In the normal course of its securities activities, the Company may be required to pledge securities as collateral, whereby the prime brokers have the right, under the terms of the prime brokerage agreements, to sell or repledge the securities of the Company.

The purchase and sale of futures contracts requires margin deposits with a FCM. The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Company's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash and other equity deposited.

Currency Risk

Though predominantly invested in U.S. dollar-denominated financial instruments at December 31, 2011, the Company may invest in securities or maintain cash denominated in currencies other than the U.S. dollar. The Company is exposed to risks that the exchange rate of the U.S. dollar relative to other currencies may change in a manner that has an adverse effect on the reported value of the Company's assets and liabilities denominated in currencies other than the U.S. dollar.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

Market Risk

The Company is exposed to market risks that arise from equity price risk, foreign currency exchange rate fluctuations and changes in commodity prices. Management has established procedures to actively monitor and minimize market and credit risks. In addition, the Company has sold securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. The Company has recorded these obligations in the statement of financial condition at December 31, 2011, at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2011.

Off Balance Sheet

The Company enters into various transactions involving derivatives and other off balance sheet financial instruments. These financial instruments include futures. These derivative financial instruments are used to conduct trading activities and manage market risks and are, therefore, subject to varying degrees of market and credit risk. Derivative transactions are entered into for trading purposes or to economically hedge other positions or transactions.

Futures contracts provide for delayed delivery of the underlying instrument. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. Futures contracts are executed on an exchange, and cash settlement is made on a daily basis for market movements. Accordingly, futures contracts generally do not have credit risk. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market forces, such as volatility and changes in interest and foreign exchange rates.

(8) Bank Day Loan

During the year, the Company had available a line of credit, which had an outstanding balance of \$26,000,000 at December 31, 2011. The Company used the line of credit to meet margin requirements and posts securities as collateral. The interest rate at December 31, 2011 was 0.82% per annum.

(9) Related-Party Transactions

The Company incurred service fees to related entities (the Parent, VFH Parent LLC, Virtu Financial Services LLC, Virtu Financial Operating LLC and Virtu Financial LLC referred to collectively as the "Providers") under common control of which \$1,398,878 was a non-cash capital contribution. At December 31, 2011, the Company has an agreement with the Providers for compensation, technology and administrative services at monthly fees based on prior month's usage. The agreement may be terminated without cause or further obligation by the Company with 30 days written notice. The total payable as of December 31, 2011 was \$15,358,641 and included in Due to affiliate within the Statement of Financial Condition.

The Company enters into securities lending arrangements with Virtu Financial Capital Markets LLC, a related party under common control. At December 31, 2011, the Company had securities borrowed and loaned in the amount of \$85,717,500 and \$177,272,400 respectively. The Company had interest receivable and payable of \$182,697 and \$235,341, respectively, on the securities borrowed and loaned, respectively.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

The Company enters into forward contracts with related parties under common control of the Parent. These contracts are subject to an agreement approved by the ISDA between the Company and the related party.

(10) Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Legal costs are estimated and recorded. The Company disputes liabilities in connection with all such proceedings and claims, and the Company intends to vigorously defend itself to all such proceedings and claims. However, the ultimate effect on the Company from the pending proceedings and claims, if any, is presently unknown.

(11) Commitments

At December 31, 2011, the Company's future minimum equipment lease commitments are as follows:

2012	\$	5,245,227
2013		<u>2,112,000</u>
	\$	<u>7,357,227</u>

(12) Net Capital, Requirements

Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,000,000 or 2% of aggregate debit balances. At December 31, 2011, the Company had net capital of \$59,871,213 of which \$58,871,213 was in excess of its required net capital of \$1,000,000.

There were no material differences between the computation on Supplemental Schedule g and the Company's corresponding unaudited Form X-17A-5, Part II, as amended, filed with the Chicago Stock Exchange on April 2, 2012.

VIRTU FINANCIAL BD LLC
(A Wholly Owned Subsidiary of Virtu Financial Operating LLC)

Notes to the Statement of Financial Condition
As of December 31, 2011

(13) Indemnification Arrangements

Consistent with standard business practices in the normal course of business, the Company has provided general indemnifications to its managers, officers, employees, and agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by such persons under certain circumstances as more fully disclosed in its Operating Agreement. The overall maximum amount of the obligations (if any) cannot reasonably be estimated as it will depend on the facts and circumstances that give rise to any future claims.

(14) Subsequent Events

On January 31, 2012 the Company made a dividend distribution of \$8,000,000 to the Parent. On February 29, 2012, the Company made a dividend distribution of \$9,600,000 to the Parent.

April 2, 2012

Virtu Financial BD LLC
645 Madison Avenue
New York, NY 10022

In planning and performing our audit of the financial statements of Virtu Financial BD LLC (the "Company") as of and for the year ended December 31, 2011 (on which we issued our report dated April 2, 2012 and such report expressed an unqualified opinion on those financial statements), in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following: (1) making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11); (2) making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (3) complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) for determining compliance with the exemptive provisions of Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Chicago Stock Exchange and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP